

Government Executive

As Costs Go Up, Benefits Don't Keep Pace

By Tammy Flanagan

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You probably are already aware by now that health care premiums are rising next year, while pay increases and cost of living adjustments for 2017 are nothing to get excited about.

Retirees will know for sure after Oct. 18 how much COLAs for Civil Service Retirement System, Federal Employees Retirement System, military retirement and Social Security benefits will go up in January. That's when the Bureau of Labor Statistics will release the [Consumer Price Index](#) for the month of September. According to a formula set in federal law, September is the final month needed to determine the [retiree COLA](#). It is likely to be small, based on monthly price increases so far in 2016. According to the American Institute for Economic Research, the benefits will most likely rise between 0.2 percent and 0.5 percent in 2017.

Civilian federal employees should know by Nov. 30 [how much their salaries will increase for 2017](#). That's President Obama's deadline for deciding on a locality pay plan that likely will include a 1 percent pay increase and a 0.6 percent locality adjustment.

Health care costs are increasing more rapidly than that. The Office of Personnel Management recently announced that premiums under the Federal Employees Health Benefits Program would go up by an average of 4.4 percent, with an [increase to the employee share of the premium of 6.2 percent](#). Then there are prescription drug costs. According to the Health and Human Services Department, [prescription drug spending is projected to rise](#) by an average of 7.3 percent annually from 2013 to 2018.

On top of that, according to the [2016 annual report of the Medicare Board of Trustees](#), the Medicare Part B premium could rise to as high as \$149 per month in 2017, a 22 percent increase over 2016. Congressional action will be required to prevent such a dramatic increase, which would be financially devastating to many retirees.

There's not much federal employees and retirees can do to change these sobering facts. However, there are some things you can do to manage the cost of health care in retirement as well as during your employment years.

First of all, there's the annual health insurance [open season](#), which this year runs from Nov. 14 to Dec. 12. It provides an opportunity to evaluate and make changes to your health insurance, flexible spending account and supplemental dental and vision benefits. There's plenty of information available now to start doing your homework. It could mean lowering premiums and still getting high-quality health care in 2017.

The sheer number of FEHBP choices makes it easy to fall victim to paralysis by analysis. Try narrowing your choices to three or four rather than looking at the 20-30 options that may be available in your area. There are tools that can help you make your selections. You can, for example, find information about all of your [plan options](#) at OPM's website. You can also use the [Consumer's Checkbook comparison tool](#), which ranks federal health plans by estimated out-of-pocket costs and more.

In addition, this year's open season will feature a [virtual health benefits fair](#) approved by OPM and hosted by the Federal Long Term Care Insurance Program. At the fair, you can access all the 2017 plan documents. On Nov. 14 and Dec. 7, you can chat with representatives from participating carriers, and I will be hosting two webcasts.

I'll also be writing columns before and during open season on health benefits issues, and working with the [National Active and Retired Federal Employees Association](#) to present FEHBP webinars.

Keep in mind that the annual COLA, pay raise and health insurance scramble is nothing new.

In some years health care costs rise more than inflation and pay raises. In other years, it's the opposite. Each is measured and adjusted by a different standard and influenced by different factors. The best thing to do is to make the most of what you have and take advantage of the opportunities to evaluate your options.

The other good news is that the federal government continues to pay, on average, 72 percent of the total cost of health care premiums for active employees, retirees and survivor annuitants. And you get lifetime health benefits, including coverage for routine physical exams, specialist care, lab tests, prescriptions and x-rays. Overall, it's still a good deal.

Photo: Flickr user [Jeffrey Smith](#)

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/10/costs-go-benefits-dont-keep-pace/132330/>